

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF THE CITY OF)
LOGANSPOUT ELECTRIC DEPARTMENT) CAUSE NO. 38705 FAC 80
FOR A CHANGE IN ITS FUEL CHARGE)
FOR ELECTRIC SERVICE FOR THE)
MONTHS OF OCTOBER, NOVEMBER AND) APPROVED: SEP 10 2008
DECEMBER 2008)

BY THE COMMISSION:

Angela Rapp Weber, Administrative Law Judge

On July 14, 2008, in accordance with I.C. 8-1-2-42, the City of Logansport Electric Department ("Applicant") filed its Verified Application and pre-filed testimony with the Indiana Utility Regulatory Commission ("Commission") in this cause requesting approval of a change in its fuel cost charge for the billing cycles of October, November and December, 2008. On August 12, 2008, Applicant filed its *Amended Request and Exhibit*. The Office of the Utility Consumer Counselor ("Public") also filed its report in this matter. Applicant filed Supplemental Prefiled Testimony on August 29, 2008.

Pursuant to notice published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, a public hearing was held on August 29, 2008 at 11:30 a.m., in the Judicial Courtroom 222 of the National City Center, 101 W. Washington St., Indianapolis, Indiana. The Office of the Utility Consumer Counselor was present at the hearing and also presented evidence relevant to this cause. No members of the public appeared at the hearing or otherwise sought to testify.

Based upon the applicable law and the evidence herein, the Commission now finds:

1. **Notice and Jurisdiction.** Due, legal and timely notice of the commencement of the public hearing in this cause was given and published by the Commission as required by law. Applicant operates a municipal electric utility and as such is subject to the jurisdiction of this Commission as provided in the Public Service Commission Act, as amended, and the provisions of said Act authorize the Commission to act in this proceeding. The Commission, therefore, has jurisdiction over the parties and the subject matter therein.

2. **Applicant's Characteristics.** Applicant is engaged in rendering electric utility service to the public and owns and operates an electric utility generating plant and distribution system for production, transmission, delivery and furnishing of this service.

3. **Source of Fuel.** Applicant's Exhibit No. 1, the direct testimony of Luann Davis, Controller of Applicant, indicated that Applicant purchases approximately 55% of its power from Cinergy Bulk Power of Indiana. The remainder of its energy is self-produced. For its own

production, Applicant utilizes coal-fired generation. Applicant also has natural gas-fired generation which it uses for peak shaving and as standby power.

Presently, Applicant is purchasing up to 70% of its coal under a one-year contract. The remainder is purchased at the best available price in the open market when this is below its contractual cost. Applicant is still operating under restraints from the Environmental Protection Agency and must purchase coal meeting stringent standards. Applicant stated this causes increased costs. The evidence showed that Applicant, by its fuel purchase policies and its purchase of power, is endeavoring to obtain available fuel for power as economically as possible. The evidence indicates that Applicant has made every reasonable effort to acquire fuel and generate or purchase power, or both, so as to provide electricity to its retail customers at the lowest fuel cost reasonably possible, and we so find.

4. Operating Expenses Indiana Code 8-1-2-42 (d)(2) requires the Commission to examine whether actual increases in a utility's fuel cost have not been offset by decreases in other operating expenses compared to the level approved in the utility's last case in which its basic rates and charges were approved. Petitioner's basic rates and charges were last approved in the Commission's Order in Cause No. 42768, dated May 25, 2005. In that Cause, Applicant's test year total operating expenses excluding fuel costs were found to be \$14,684,623. In this filing, Applicant's total operating expenses excluding fuel costs for the twelve months ended June 30, 2008 are \$20,027,971.05, as shown by Appendix B, Page 1. Thus, Applicant's actual increases in fuel costs have not been offset by actual decreases in other operating expenses.

5. Return Earned. Indiana Code 8-1-2-42(d)(3), in effect, prohibits a fuel adjustment charge which results in an applicant earning a return in excess of the return authorized in the last Commission Order in which its basic rates and charges were approved. The Order in Cause No. 42768, dated May 25, 2005, did not authorize a specific return on original cost rate base. It did, however, allow Applicant a return in the form of net operating income of \$0.00. Appendix B, Page 2, of Applicant's Exhibit 2, indicates that Applicant's net operating income for the twelve months ended June 30, 2008, are \$(3,159,339.40). The Applicant's actual net operating income is less than the authorized amount. Thus, Applicant is not required to include an excess earning adjustment in the calculation of the fuel cost adjustment factor.

6. Estimation of Fuel Cost. The Applicant's estimate of its prospective average fuel cost for the requisite three calendar months are reasonable after taking into consideration: the actual fuel cost experienced by the Applicant during the last three calendar months for which actual fuel costs are available and the estimated fuel costs for the last three calendar months for which actual fuel costs are available.

Appendix A, Page 4 of Applicant's Exhibit 2 shows a comparison of estimated and actual fuel cost for the months of April, May and June, 2008 yielded a weighted average error of (13.15)%. No party in this cause disputed the techniques or results of Applicant's forecasting methodology. Thus, based upon the evidence presented, we find that Applicant's estimating

techniques appear to be reasonably sound and its estimates for October, November and December, 2008 should be accepted.

7. Resulting Fuel Cost Factor. Applicant is requesting approval of a decrease in fuel cost charge to be applied in its October, November and December, 2008 billing cycles. Appendix A, Page 1 of Applicant's Exhibit 2 indicates the total sales for the months mentioned above are estimated to be 108,764,000 kWh and the associated costs are estimated to be \$3,847,267.07. The reconciliation of April, May and June, 2008 produced a total variance of \$451,794.38. Dividing the variance by the sales generates a variance factor of 4.154 mills per kWh (line 14). Adding this factor to the fuel cost per sales ratio of 35.373 mills per kWh results in an adjusted fuel cost factor of 39.527 mills per kWh (line 15). Deducting the base cost of fuel of 19.670 mills per kWh and adjusting for the Indiana Utility Receipts Tax yields a final fuel cost factor of 20.139 mills per kW as shown on Appendix A, Page 1 (line 18). This factor is a decrease of \$.002561 per kWh from the current factor. We find that Applicant's request for a fuel cost adjustment factor in the amount of \$.020139 per kWh for the billing cycles of October, November and December, 2008 appears reasonable, just, is supported by the evidence and should be approved.

The average customer, using 1,000 kWh per month, should experience a decrease of \$2.56 per month on his or her electric bill.

8. Benchmark Requirement. Petitioner made no power purchases during the three-month period other than its firm power purchase from Cinergy. Accordingly, no benchmark evidence was presented herein.

9. Interim Rates. We are unable to determine if Applicant will earn an excess rate of return while this FAC is in effect. We therefore find that the rates approved herein should be interim rates, subject to refund in the event an excess rate of return is earned.

10. Future FAC Estimation Periods. At the evidentiary hearing, the Presiding Officers noted that estimation for the portion of the fuel costs represented by the unit power purchase from Cinergy Bulk Power of Indiana has historically been based on the most recently known one month cost rate (\$/kWh). Based on Commission staff's recommendation, Logansport agreed to use the most recent three-month period for which it had data to project the purchased power cost in an effort to mitigate variability and volatility in future FACs.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. Applicant shall be and is hereby authorized to place into effect a \$.020139 per kWh fuel cost adjustment factor with respect to all of Applicant's tariffs for which the fuel cost adjustment charge is applicable. The fuel cost adjustment herein approved shall be in effect for the billing cycles October, November and December, 2008.

2. The rates approved herein shall be interim rates subject to refund, consistent with finding 9 above.

2. The Applicant shall file with the Electricity Division of the Commission, prior to billing the fuel cost charge herein approved, a separate amendment to its rate schedules with reasonable reference therein reflecting that such a change is applicable to the rate schedules reflected in the amendment.

4. In accordance with I.C. 8-1-2-70, the Petitioner shall pay within twenty (20) days from the date of this Order into the Treasury of the State of Indiana, through the Secretary of this Commission, the following itemized charges, as well as any additional charges which were or may be incurred in connection with this Cause:

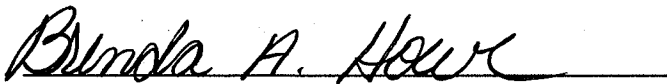
Commission charges:	\$ 514.71
Legal Advertising Charges:	\$ 14.09
OUCC Charges:	<u>\$1,176.58</u>
TOTAL	\$1,705.38

5. This Order shall be effective on and after the date of its approval.

HARDY, GOLC, SERVER, AND ZIEGNER CONCUR; LANDIS ABSENT:

APPROVED: SEP 10 2008

**I hereby certify that the above is a true
and correct copy of the Order as approved.**



**Brenda A. Howe
Secretary to the Commission**